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SECTIONAL ANALYSIS AND EXPLANATION OF SECTION 8

Subsection 291 (a) provides that cost-of-living adjustment of annuities shall be based upon percentum changes in the price index as determined by the Director of Central Intelligence.

Subsection (a)(1) increases certain annuities as of January 1967 by an amount equivalent to the total percentum increase in force and effect for certain civil service retirees under existing law relating to cost-of-living adjustment of annuities (P. L. 88-793, P. L. 89-205, P. L. 89-314).

Subsection (a)(2) provides for subsequent cost-of-living adjustments effective the first day of the third month beginning after the price index shows a rise of at least 3 percent for three consecutive months over the base month. All annuities which commence on or before such effective date will be increased by the percentage rise in the price index. The increase will be computed on the highest percent of the three consecutive months, adjusted to the nearest one-tenth of 1 percent.

Subsection (b) preserves the cost-of-living adjustment principle to future retirees and survivors of deceased employees but restricts the amount of increase to that percentage rise occurring on or after the commencing dates of their annuities.

Subsection (b)(1) guarantees that survivor annuitants, other than children survivors, receive the increases previously received by the annuitant himself or the amount that would have been received if death occurs before enactment.

Subsection (b)(2) and (3) guarantees that children survivors whose annuities commence after 1 January 1967 shall receive appropriate increases. Subsection (b)(2) preserves the increase payable to certain children survivors of civil service annuitants under P. L. 88-793.

Subsection (b)(3) preserves the total percentage of increase in force under subsection 291 (a) less the percentage increase due only certain children survivors and payable under subsection (b)(2).

Subsection (c) offsets against any increase, any cost-of-living

adjustment of annuity in force and effect under current law prior to enactment. On 1 April 1967 annuities having a commencing date before 2 January 1966 were increased by     percent.

Subsection (d) defines the term "price index." It further defines as "base month" the month used in determining that the price index warrants a cost-of-living adjustment. The base month for the next increase is established as October 1966. This assures that subsequent adjustments will be in phase with the Civil Service Retirement System.

Subsection (e) precludes an increase on any additional portion of annuity that was purchased by a retiree by voluntary contributions.

Subsection (f) requires that the monthly annuity, as increased, be adjusted to the nearest dollar. It provides, however, for reflecting an increase of at least \$1 per month wherever an increase would not otherwise cause a small annuity to be adjusted to the next higher dollar.